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Sale of NEBHELP studied

Regulation changes create new money for NU students

BY NICOLE HALL
Staff writer

University of Nebraska-Lincoln students will now have a chance at Foundation for Educational Funding Need-based Scholarships.

The money was previously sequestered for students who used a type of loan called the Federal Family Education Loan Program. UNL bypasses the FFELP loans and offers direct student loans.

"The intention (of the scholarship) was to reward upperclassmen who have persevered," said Tammy Stevensen, scholarship coordinator for FEF.

On May 9, the Omaha World-Herald reported a story about the selling of NebHelp in order for it to transfer from a tax-subsidized, non-profit organization to a for-profit organization. It questioned the exchange of money and the valuation of NebHelp because that amount would therefore be given to FEF.

NebHelp and FEF had raised their funds by loaning FFELP money. Therefore they wished to loan to only FFELP schools. Their argument, UNL Vice Chancellor of Student Affairs James Griesen said, was that since they had raised their money from FFELP, they wanted to return it to those schools that also use those loans.

Griesen's counter argument was that UNL was a FFELP school the majority of the time that they raised their funds, and if FEF was a charity, it

should not matter where the money comes from.

Last year, Congress passed a bill, USC section 150, which allowed non-profit secondary lenders the option to transfer to the for-profit market. NebHelp took advantage of the option. The Consumers Union, which has offered the primary critique of the transaction, is also investigating Ohio and Massachusetts, and is also considering investigating South Dakota for the same transaction.

The transaction raised many questions about the sale of the tax-subsidized NebHelp's loans and assets and whether they benefited the new for-profit NebHelp or the intended citizens.

Since that story, the Consumer's Union and the Nebraska Attorney General's office have been investigating the transaction. The Nebraska Attorney General's office is expected to release its official response next week.

It has been discovered that FEF was in violation in two ways from the Nebraska Nonprofit Corporation Act.

The Attorney General's office notified FEF that within its loan brochures, which were available in its three Education Planning Centers, it endorsed its own loan program without mentioning others. FEF manages Education Planning Centers in Omaha, Lincoln and Kearney. These offices provide information for financing college.

The organization also had a regulation that stated that recipients of the scholarship must be using FFELP loans

to finance at least part of their education.

This regulation eliminated students not using FFELP loans, including many UNL students using direct UNL loans.

FEF originally suggested that UNL should become a FFELP school in order to receive the scholarships. This suggestion would have profited the limited number of local banks that loan the FFELP loans.

Once notified of the violations, FEF agreed to begin changing the brochures in its Education Planning Centers and it changed the scholarship to include all students.

FEF did grant \$50,000 to the NU campuses' Tom Osborne's Teammates mentoring program for alums of the program that are attending one of the NU campuses.

FEF gave out its first allotment of the scholarship money to universities in January. The FEF has no plans to go back and apply the new changes to the money that has already been distributed, which the universities will be reporting on in September. The new scholarship regulations will take effect on the next allotment of money.

FEF and NebHelp were the same company. Then FEF divested itself from NebHelp. NebHelp became a for-profit organization and FEF has remained a non-profit organization.

"It's like an old building with new paint on it and a new shop inside," Assistant Attorney General Jason Hayes said.

In addition, from the sale of NebHelp, the organization was required by law to donate the revenue from its assets to a charitable organization. FEF received \$113 million from the sale of NebHelp.

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